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RUEHBJ/AMEMBASSY BEIJING 0912  
RUEHBY/AMEMBASSY CANBERRA 9686  
RUEHKA/AMEMBASSY DHAKA 4174  
RUEHLO/AMEMBASSY LONDON 1630  
RUEHNE/AMEMBASSY NEW DELHI 3356  
RUEHUL/AMEMBASSY SEOUL 6782  
RUEHKO/AMEMBASSY TOKYO 4397  
RUEHCI/AMCONSUL CALCUTTA 0763  
RUEHCN/AMCONSUL CHENGDU 0764  
RUDKIA/AMCONSUL CHIANG MAI 0434  
RUEHGV/USMISSION GENEVA 2695  
RUEHUNV/USMISSION UNVIE VIENNA 0058  
RUCNDT/USMISSION USUN NEW YORK 0339  
RUEABND/DEA HQS WASHINGTON DC  
RHHMUNA/CDR USPACOM HONOLULU HI

UNCLAS SECTION 01 OF 04 RANGOON 000728

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TAGS: [SNAR](#) [KCRM](#) [BM](#)

SUBJECT: BURMA: 2006 COUNTERNARCOTICS REPORT CARD

REF: A. SECSTATE 78495

[¶B.](#) 9/05 INL/AAE-RANGOON E-MAIL (BENCHMARKS)  
[¶C.](#) 05 RANGOON 668

RANGOON 00000728 001.2 OF 004

[¶1.](#) (U) This message responds to ref A request for a report card on the Government of Burma's cooperation on counternarcotics efforts, based on benchmarks established in late 2005 (ref B), in preparation for the FY 2007 certification process.

[¶2.](#) (SBU) Begin Text of 2006 Certification Report Card:

[¶A.](#) The USG requested that the GOB take demonstrable and verifiable actions against high-level drug traffickers and their organizations, such as investigating, arresting, convicting leading drug producers and traffickers.

Embassy Rangoon Assessment: Limited cooperation.

The GOB has taken no direct action in response to the unsealing in January 2005 of U.S. federal court indictments against eight leaders of the notorious United Wa State Army (UWSA).

The GOB, however, took significant action against components of the UWSA. The GOB, with DEA and Australian Federal Police (AFP) cooperation, disrupted two international trafficking syndicates associated with the UWSA that have ties throughout Asia, India, and North America. In September 2005, the GOB seized a UWSA-related shipment of approximately 496 kgs of heroin bound for China via Thailand. The seizure led to the arrest of 80 suspects, including two of UWSA Chairman Bao Yu Xiang's family members, and the seizure of 7 UWSA-owned vehicles and \$1.3 million USD (equivalent) in assets.

A second, and related, investigation from December 2005

through April 2006 culminated in the arrest of 30 subjects and the seizure of \$2.2 million in assets and significant quantities of morphine base, heroin, opium, weapons, methamphetamine tablets and powder, crystal methamphetamine (ice), pill presses, and precursor chemicals.

In 2005, according to official statistics, Burma arrested 4,754 suspects on drug related charges. In 2005, Burma again cooperated with law enforcement agencies in neighboring countries on several cases leading to the extradition of traffickers to/from Burma.

1B. The USG asked the GOB to continue good efforts on opium poppy eradication and provide location data to the U.S. for verification purposes; increase seizures of opium, heroin, and methamphetamine and destroy production facilities; adopt meaningful procedures to control the diversion of precursor chemicals.

Embassy Rangoon Assessment: Adequate cooperation overall, though inadequate for the U.S.-Burma joint opium survey.

Burma's most significant counternarcotics achievement has been the reduction of poppy cultivation and opium production.

For a second consecutive year, however, the GOB failed to provide sufficient cooperation to support the U.S.-Burma joint opium yield survey, previously an annual exercise. USG yield estimates relied on less reliable imagery assessments.

In 2005, the USG estimated that 40,000 hectares was under opium poppy cultivation, a slight increase over the previous year. A UNODC survey estimated 32,800 hectares, a decline of 26%. Both surveys concluded, however, that poppy cultivation and opium production (380 metric tons in 2005) declined by roughly 80 percent over the past decade.

RANGOON 00000728 002.2 OF 004

In June 2005, local authorities in Wa Special Region 2 implemented an opium ban. A rapid survey conducted by UNODC in October showed that no opium cultivation had taken place in the Wa region after the ban. There are growing concerns that the process will not be sustainable in the longer term in the absence of alternative income sources. Preliminary UNODC results in its 2006 survey, for example, indicate a resurgence of cultivation in southern Shan State.

GOB seizures of illicit drugs increased considerably in 2005 and early 2006, due to closer cooperation with neighboring countries and stepped-up law enforcement investigations. During the same period, the GOB dismantled two clandestine heroin laboratories.

Burma does not have a chemical industry. The GOB recognizes the threat posed by the diversion and trafficking of precursor chemicals; however, porous borders and corruption are significant obstacles to effective countermeasures. The GOB's Precursor Chemical Control Board has identified twenty-five chemical substances (including caffeine and thynl chloride) and prohibited their import, sale, or use.

1C. The USG urged the GOB to establish a mechanism for the reliable measurement of methamphetamine production and demonstrate progress in reducing production (e.g., destruction of labs) and increasing seizures, particularly focusing increased illicit drug seizures from gangs on the border with China, India, and Thailand.

Embassy Rangoon Assessment: Inadequate cooperation.

Methamphetamine production and trafficking have exploded over the past four years. Burma remains a primary source of amphetamine-type substances (ATS) produced in Asia and international drug enforcement agencies are concerned that ATS production and consumption levels are increasing. Traffickers continue to smuggle chemical precursors into

Burma from India and China, and then smuggle the final product across the border into Thailand and China for the domestic market and to other foreign ports including Hong Kong and the Philippines.

The GOB does not have a mechanism for the measurement of ATS production.

Seizures increased in 2005; law enforcement officials netted in excess of 19 million meth tablets. The GOB destroyed one ATS lab in 2005. In June 2005, officials from Burma and China conducted operations against a drug smuggling ring and seized 100 kg of crystal methamphetamine (ice).

The joint DEA-GOB investigation against a UWSA associated group led to the seizure of approximately 15 million methamphetamine tablets, 45 kgs of crystal methamphetamine (ice), 65 kgs of methamphetamine powder, 673 kgs of ephedrine, 2 pill presses, 360 gallons of AA, and other lab equipment.

1D. The USG asked the GOB to continue cooperation with China and Thailand and expand cooperation to other neighboring countries, such as India, Laos, and Vietnam, to control the production and trafficking of illicit narcotics and the diversion of precursor chemicals.

Embassy Rangoon Assessment: Adequate cooperation.

The GOB maintains a regular dialogue on precursor chemicals with India, China, Thailand, and Laos. As a result, India and China have taken steps, including the creation of exclusion zones, to divert precursors away from Burma's border areas. The GOB has also cooperated with these

RANGOON 00000728 003.2 OF 004

countries on a variety of counterdrug law enforcement issues.

Burma and Thailand jointly operate border liaison offices. Burma and Laos, with the assistance of the UNODC, conduct joint anti-drug patrols on the Mekong River.

GOB cooperation with China and Thailand has been the most productive, yielding arrests, seizures, and extraditions. The law enforcement relationship with India has been less productive. Nonetheless, GOB counterdrug officials meet on a monthly basis with Indian counterparts at the field level at various border towns.

1E. The USG requested that the GOB enforce existing money-laundering laws, including asset forfeiture provisions, and fully implement and enforce Burma's money-laundering legislation passed in June 2002.

Assessment: Limited cooperation

In 2005, the GOB continued progress in fulfilling the money-laundering concerns of the Financial Action Task Force (FATF), producing a number of quality progress reports.

The GOB, which is currently investigating a number of major money laundering cases, instituted an on-site examination program for financial institutions. Over the past year, the GOB closed three major banking institutions (Asia Wealth Bank, Myanmar Mayflower Bank, and the Myanmar Universal Bank) for violations of banking regulations. The banks were allegedly involved in laundering money linked to the UWSA's illicit narcotic trade. In August 2005, the GOB, with the assistance of DEA, seized assets of the Myanmar Universal Bank and arrested its Chairman, Tin Sein, and sentenced him to death, for laundering UWSA drug proceeds. The total value of seized bank accounts, property, and personal assets exceeded \$25 million.

The GOB recently initiated an investigation into the Myanmar Oriental Bank. The probe is based on alleged violation of

banking regulations and laundering money linked to the illicit narcotic trade.

In July 2005, Burma and Thailand signed an MOU on the exchange of information relating to money-laundering.

Throughout 2005, technical specialists of the Australian Transaction Reports and Analysis Centre (AUSTRAC) visited Burma to deliver training on anti-money laundering and the countering of the financing of terrorism. The regional technical assistance and training program is ongoing, with further workshops scheduled for year 2006. As a result of the promulgation in 2004 of the Mutual Assistance in Criminal Matters Law (MACML) and subsequent measures to address money laundering and terrorism financing, Burma gained membership in the Asia Pacific Group on Money Laundering in March 2006.

Burma, however, remained on FATF's list of "Non-Cooperative Countries and Territories." This was largely due to the GOB's inadequate implementation of its money-laundering regime. With the exception of the Myanmar Universal Bank case, the GOB did not make public the results of its investigations into private banks, nor make explicit connections between the banks and money laundering.

¶F. The USG urged the GOB to prosecute drug-related corruption, especially corrupt government and military officials who facilitate drug trafficking and money laundering.

Embassy Rangoon Assessment: Inadequate cooperation.

RANGOON 00000728 004.2 OF 004

According to the GOB, between 1995 and 2003 officials prosecuted and punished over 200 police officials and 48 Burmese Army personnel for narcotics-related corruption or drug abuse. There is no evidence that the GOB took any similar actions over the past three years.

In October 2004, the military regime ousted Prime Minister General Khin Nyunt, accusing him and hundreds of his military intelligence subordinates of illegal activities conducted in the drug producing and trafficking areas of northern Shan State. However, the GOB charged none of these officials with drug-related offenses. The GOB has never prosecuted a Burmese Army officer over the rank of full colonel.

¶G. The USG asked the GOB to expand demand-reduction, prevention, and drug treatment programs to reduce drug use and control the spread of HIV/AIDS.

Embassy Rangoon Assessment: Inadequate cooperation.

Although drug abuse levels remain low in Burma compared to neighboring countries, the addict population could be as high as 300,000 abusers, including a growing number of injecting drug users (IDU) and regular consumers of ATS.

The GOB's prevention and drug treatment programs suffer from inadequate resources and a lack of senior-level government support. Demand reduction programs are in part coercive and in part voluntary. Burmese authorities, however, have collaborated with UNODC in expanding anti-drug campaigns as well as establishing treatment and rehabilitation programs. The GOB's Myanmar Anti-Narcotic Association, for example, has supported the activities of several outreach projects in northern Shan State that treat thousands of addicts annually.

Several international NGOs have effective demand reduction programs, but in February 2005 the GOB issued new guidelines that restrict the activities of INGOs and UN agencies. Implementation of the new guidelines, however, has been uneven.

The transmission of HIV/AIDS through injecting drug use is a

major concern. The HIV epidemic in Burma, one of the most serious in Asia, continues to expand rapidly. UNAIDS estimates over 600,000 people are affected with HIV, 34 percent of which are IDUs.

The GOB, national and international NGOs, and UN agencies developed the Joint Program for HIV/AIDS in Burma. The Program identified the link between IDU and HIV/AIDS as a priority area. The Global Fund for Aids, TB and Malaria had approved grants totaling \$98.5 million for Burma, but withdrew in late 2005 due to the GOB's onerous restrictions and lack of full cooperation. A consortium of six donors (Australia, UK, Sweden, Norway, the Netherlands, and the EC) is currently negotiating to develop a new funding mechanism to fight the three diseases.

End Text of 2006 Certification Report Card.  
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